

Message Text

UNCLASSIFIED

PAGE 01 LIMA 08915 061856Z

72

ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PM-07 H-03 L-03 PA-04 PRS-01 USIA-15

ACDA-19 IO-14 SCI-06 SCEM-02 DRC-01 /212 W

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R 061807Z DEC 73

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 8029

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

UNCLAS LIMA 8915

E.O. 11652: N/A

TAGS: EAID, EIND, CO, VE, BL, EC, CI, PE

SUBJ: ANDEAN PACT; PROGRAM OF COMMISSION

REF: LIMA 8369 DATED NOVEMBER 15, 1973

1. AS HAD BEEN FORESEEN, NO SIGNIFICANT STEPS WERE TAKEN DURING NOVEMBER 26-30 COMMISSION MEETING, PRIMARILY BECAUSE VENEZUELA STILL NOT A FULL MEMBER OF ANDEAN PACT. NEXT ORDINARY MEETING, SCHEDULED FOR EARLY APRIL, EXPECTED TO BE MOST IMPORTANT ONE SINCE ESTABLISHMENT OF PACT. SECTORAL PROGRAM PROPOSALS IN PETROCHEMICAL AND AUTOMOTIVE INDUSTRIES WILL BE CONSIDERED, AS WELL AS PROPOSALS ON TECHNOLOGY POLICY, PATENTS AND TRADEMARKS AND ON ANDEAN COURT OF JUSTICE. DECISIONS MAY ALSO BE TAKEN ON ANDEAN POSITION IN LAFTA NEGOTIATIONS AND ON IMPLEMENTING REGULATIONS FOR FOREIGN INVESTMENT RULES AND FOR ANDEAN MULTINATIONAL ENTERPRISES.

UNCLASSIFIED

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PAGE 02 LIMA 08915 061856Z

2. STRONG COMMISSION PRESIDENT WILL BE NEEDED TO PULL PACT THROUGH CRITICAL YEAR OF 1974. COMMISSION BENT ITS OWN RULES (SEE REFTTEL) IN ORDER TO PERMIT A VENEZUELAN TO ASSUME PRESIDENCY. DECISION REACHED THAT PERU'S REPRESENTATIVE SHOULD REMAIN IN PRESIDENCY UNTIL VENEZUELA'S ENTRY INTO PACT IS COMPLETED. IN UNLIKELY CASE THAT THIS SHOULD NOT HAPPEN BEFORE NEXT ORDINARY MEETING IN APRIL, BOLIVIAN MEMBER OF COMMISSION WOULD ASSUME PRESIDENCY.

3. IN FEBRUARY, GOVERNMENT TECHNICIANS WILL MEET IN LIMA TO DISCUSS IMPLENETING REGULATIONS FOR FOREIGN INVESTMENT RULES. THE NEW ATTITUDE, RESPONDING IN PART TO POLITICAL CHANGE IN CHILE AND TO PRAGMATISM OF VENEZUELAN, SEEMS TO BE ONE OF FLEXIBILITY. NO FUNDAMENTAL CHANGES IN DECISION 24 PROVISIONS ARE EXPECTED, BUT SOME ROUGH EDGES MAY BE TKANE OFF IN ONE WAY OR ANOTHER. INDICATIVE OF NEW MOOD IS VENEZUELAN PROPOSAL THAT ANDEAN MULTINATIONAL ENTERPRISES BE APPROVED AUTOMATICALLY IF HEADQUARTERED IN BOLIVIA AND IF RESPONDING TO PRIORITY CONSIDERATIONS AS ESTABLISHED BY THE GOVERNMENT OF THAT COUNTRY. IF APPROVED, THIS RULING WOULD DILUTE ITEM 3 IN ARTICLE 8 OF DECISION 46.

4. ONE ELEMENT OF CONTROVERSY DURING NOV. 26-30 COMMISSION MEETING REPORTEDLY RELATED TO EFFECTIVE DATE OF DECISION 24 IN COLOMBIA. COLOMBIANS CLAIMED THAT THE 15-YEAR PERIOD FOR DIVESTMENT OF 49 PERCENT SHOULD START SEPTEMBER 15, 1973, EFFECTIVE DATE OF DECREE-LAW 1900. THIS WOULD MEAN THAT EXISTING FIRMS WOULD NOT HAVE TO DIVEST FIRST 15 PERCENT UNTIL SEPTEMBER 15, 1976. PERU OBJECTED STRONGLY TO THIS REASONING. ISSUE WILL BE DISCUSSED AT EXPERTS MEETING IN FEBRUARY. IN VENEZUELA, OF COURSE, EFFECTIVE DATE OF DECISION 24 WILL ALSO BE CRITICAL ISSUE.

5. FOLLOWING INDICATIONS POINT TO STRONGER PRIVATE SECTOR PARTICIPATION IN ANDEAN PACT PLANNING. FIRST, CONSIDERABLE ATTENTION WAS GIVEN AT COMMISSION MEETING TO EARLIER RECOMMENDATIONS BY SOCIAL AND ECONOMIC ADVISORY COUNCIL, WHICH REPRESENTS BUSINESS AND LABOR. SECONDLY, COLOMBIA AND CHILE PROPOSED THAT MEMBER COUNTRIES SHOULD GRANT EACH OTHER PREFERENTIAL TREATMENT IN SUPPLY OF RAW MATERIALS IN VIEW OF UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LIMA 08915 061856Z

CURRENT SCARCITIES IN WORLD MARKETS. THIS PROPOSAL COINCIDES WITH RECOMMENDATION MADE AT PRIVATE SECTOR ANDEAN CHEMICAL MANUFACTURERS' MEETING HELD IN LIMA IN OCTOBER. THIRD, CHILEAN REPS AT COMMISSION MEETING INDICATED THAT THEY WOULD CONSULT PRIVATE SECTOR ON CRITICAL ISSUES, SUCH AS ON PATENT AND TRADEMARK REGULATIONS.

6. COMMISSION APPROVED JUNTA 1974 BUDGET OF \$2.2 MILLION.

BOLIVIA AND ECUADOR EACH ASSESSED 6 PERCENT OF THIS SUM, THE
OTHER FOUR COUNTRIES 22 PERCENT EACH. BY COMPARISON, JUNTA
BUDGETS WERE \$1.5 MILLION IN 1971, \$1.7 MILLION IN 1972 AND
\$1.8 MILLION IN 1973.
BELCHER

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